

MEMORANDUM

To: Reporters and Editors
From: Carol Guthrie for Finance Committee Chairman Max Baucus (D-Mont.)
Re: President's discussion of health tax measures in relation to the Children's Health Insurance Program

Finance Committee Chairman Max Baucus commented late today on President Bush's discussion of health tax measures in relation to the renewal of the Children's Health Insurance Program (CHIP), which provides health coverage to more than six million low-income American children today. Baucus is working with his Republican and Democratic colleagues on the Finance Committee to achieve a robust renewal of CHIP that will maintain coverage for all children in the program, and reach more uninsured, low-income American children eligible for this health coverage. From Chairman Baucus:

"In the last ten years, CHIP has provided health coverage to millions upon millions of low-income American children who might otherwise have gone without basic health care. Congress has a solemn responsibility to renew the CHIP program and to find ways for more children to benefit from this proven success. Replacing this effort with controversial health care tax proposals would not be a responsible path to take. CHIP is already setting a new example for health care policy, combining the best of public and private solutions. CHIP is publicly funded, and must meet minimum Federal standards, but four out of five states have some private market component for their program. Congress must keep its eye on the ball, and build on this triumph of cooperation and collaboration in health policy."

The following additional background information should be noted as well.

According to the Congressional Research Service, ninety-one percent of CHIP-covered children live in families with incomes below 200 percent of poverty. Nearly seventy percent of CHIP-covered kids live in families with incomes less than 150 percent of the poverty level.

In its May 10 report on the effect of CHIP coverage on private insurance participation, the Congressional Budget Office said that a primary driver for parents who choose CHIP coverage instead of employer-sponsored coverage is their inability to afford the premiums for the family coverage or even individual coverage being offered. CHIP was created precisely for families whose incomes are too high to qualify for Medicaid, but not high enough to enable the purchase of private health coverage.

Following please find previous analysis and comment from Chairman Baucus on the President's health care and CHIP proposals.

For Immediate Release
February 7, 2007

BAUCUS OUTLINES PRIORITIES FOR CHILDREN'S HEALTH, CHALLENGES WHITE HOUSE PLANS FOR FUNDING

President's FY2008 budget could cause many kids to lose health coverage nationwide;
Finance Chairman also questions cuts to Medicare programs used by most seniors

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today outlined his priorities for renewal of the Children's Health Insurance Program, and challenged the Bush administration's claim that its budget for children's health insurance will not cause American kids

to lose their health care coverage. Baucus says the White House budget's \$4.8 billion is a third of what's needed to keep covering the 6.2 million children who have CHIP coverage now, and certainly will not help any more of the six million additional kids who are eligible for public health programs but not enrolled. Baucus has named CHIP renewal the Finance Committee's number-one health priority.

"Here are my five priorities. We must give CHIP enough money to maintain coverage for those whom it already serves. We must work to reach the six million uninsured children now left behind — those who are eligible for CHIP or Medicaid but not enrolled," said Baucus. "We must support state efforts to use CHIP to cover more children. We must improve the quality of health care under CHIP. And we must not increase the number of Americans without health insurance."

The Bush administration is proposing changes to the Children's Health Insurance Program that would lower Federal funds for some children and for all parents currently enrolled in CHIP. The administration is also seeking to shorten the amount of time states can use their children's insurance allotment, essentially repossessing and reallocating an additional \$4 billion in funds that many states are planning to use for future coverage. Yet Health and Human Services Secretary Michael Leavitt testified that all current CHIP enrollees would keep their coverage.

"That may be your policy, but it looks like that's not going to be the effect," said Baucus. "The effect is going to be more uninsured kids. You're shifting costs onto the states, and some of them are already strapped. There will be fewer kids covered, not more, under this plan."

Congressional authorization for the Children's Health Insurance Program expires on September 30, 2007. Baucus says he intends for the Finance Committee to deliver a reauthorization and expansion of the program as early as this May.

For Immediate Release
February 7, 2007

Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding the President's Budget Proposal with Secretary Leavitt

The prophet Ezekiel admonished his nation's leaders. "Woe to the shepherds of Israel," he said. "The weak you have not strengthened, nor have you healed those who were sick, nor bound up the broken."

Mr. Secretary, you at the Department of Health and Human Services, and we here at the Committee of Finance, have a similar duty. We have a duty to be good shepherds. We have a duty to strengthen the weak, to heal the sick, and to bind up the broken.

The budget is where we do that. The budget answers the questions: Will we strengthen the nation's children? Will we heal the nation's poor? And will we care for the nation's elderly?

This year, Congress has a once-in-a-decade opportunity to strengthen the health of our nation's children. Improving and expanding the State Children's Health Insurance Program, or CHIP, is this Committee's top health care priority this year.

Here are my five priorities for CHIP:

First, we must give CHIP enough money to maintain coverage for those whom it already serves.

Second, we must work to reach the six million uninsured children now left behind — those who are eligible for CHIP or Medicaid but not enrolled.

Third, we must support state efforts to use CHIP to cover more children.

Fourth, we must improve the quality of health care under CHIP.

And fifth, we must not increase the number of Americans without health insurance.

The administration's budget would not achieve these goals. The budget for CHIP is not that of a good shepherd.

The budget provides \$5 billion in new funding for CHIP. That's only about a third of what will likely be needed just to maintain current services.

Equally troubling are the budget's policy changes. Many states are employing CHIP to expand access to all children. But the administration's policies would undermine these efforts. The budget would do so by lowering funding rates for children in families with incomes more than twice the poverty level.

Today, a family of three with an income twice the poverty level makes a little more than \$34,000 a year. But an average family health plan costs \$12,000. The budget would put health coverage out of reach for low-income working American families. The budget would tell them that they should spend more than a third of their income on health insurance.

The budget's proposals threaten the remarkable success of the CHIP program. If Congress were to enact those proposals, more than one million children and 600,000 of their parents, caretakers, and other low-income adults could lose health coverage.

In my own state of Montana there are more than 37,000 uninsured children. Across the nation, there are nearly nine million. But the administration's proposals would do little to help states respond to this growing crisis. It says to states like Montana - who are trying to do the right thing and expand coverage - we aren't with you. And, by shortchanging CHIP on funds and lowering the federal share for children above 200 percent of poverty, this budget could actually contribute to even more children becoming uninsured.

The administration's budget would also make it harder to heal the nation's poor. I have deep concerns about the budget's more than \$26 billion in Medicaid cuts.

The budget calls for \$14 billion in legislative changes to Medicaid. That's twice the size of the \$7 billion in Medicaid cuts that Congress narrowly approved in the last Congress, after a bitter fight, in the Deficit Reduction Act. Cutting Medicaid again so much, so soon, is too big a hit for this critical safety net program.

And the administration's budget would make it harder to care for the nation's elderly. The budget offers drastic, across-the-board cuts in Medicare payments to providers. But those cuts fall only on the fee-for-service program. The budget would cut payment updates for hospitals, nursing homes, home health agencies — you name it — by one percent, indefinitely.

This would undermine access to care in the traditional program, especially in states like Montana. Rural areas would be most hurt by sustained cuts to hospitals. Ninety-five percent of Montana Medicare beneficiaries choose fee-for-service. I will not turn my back on these seniors.

In addition, the budget exempts the Medicare Advantage program from cuts. The budget shaves one percent off of traditional Medicare forever. But the budget does not touch Medicare

Advantage plans. This policy lends credence to those who believe that the administration is attempting to privatize entitlements. The American people have soundly rejected that ideology.

I share the President's concern about rapidly rising health care spending. Health costs are consuming more of the Federal budget each year. And they undermine our nation's economic leadership. For the sake of our nation's elderly and disabled citizens, we need to secure the long-term sustainability of Medicare. But I am disturbed by the administration's approach.

Instead, we should roll up our sleeves and enact targeted changes where Medicare is overpaying for products and services. I've been working to identify these areas. Working together with my Colleagues on both sides of the aisle, we can make a stronger, more efficient, and more sustainable Medicare.

And the administration is not being a good shepherd for Medicare's prescription drug program. The only change that the budget proposes is to raise premiums for high income beneficiaries.

I helped to write the law that created the Medicare drug benefit. And I still support it. But the law is not perfect. And neither was its implementation.

I believe that this Committee should work together to make modest improvements to the drug benefit. The program should be simpler and more accessible for all Medicare beneficiaries. And we must do better at enrolling beneficiaries who are eligible for the low-income subsidy.

And so, Mr. Secretary, you at the Department of Health and Human Services, and we here at the Committee of Finance, have much work to do together. Let us work together to strengthen the nation's children. Let us work together to heal the nation's poor. And let us work together to care for the nation's elderly. Together, we have the opportunity to be the good shepherds that our duty and our nation require.

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BAUCUS COMMENTS ON PRESIDENT'S HEALTH CARE PLAN

Senator renews pledge to renew CHIP this year, extend coverage to the uninsured

Washington, DC – U.S. Senator Max Baucus (D-Mont.), Chairman of the Senate Finance Committee, today issued the following comment on a new health care proposal released by the Bush administration, which would create a standard tax deduction for health insurance.

"The skyrocketing cost of health care is the number one concern on the minds of many Americans," said Baucus. "We need to do everything we can to make health care more affordable. Any serious health care proposal will target health care savings toward new coverage to Americans who are currently uninsured, and better coverage to those who don't have enough. I applaud the President for putting health care at the fore of his State of the Union address. I want to look closely to see whether his proposal will help to cover the uninsured and help to meet the needs of those with real medical expenses. This year, I'm dedicated first to extending insurance coverage to children through a renewal and expansion of CHIP. I'm also interested in exploring the idea of new and innovative pooling arrangements to expand affordable health care coverage. I'm ready to work with anyone who's putting forward real ideas about getting health care to more Americans."

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